

2M5103

Roll No. _____

Total No of Pages: 4

2M5103

M. B. A. II Sem. (Main / Back) Exam., June-July 2016
M-203 A Financial Management

Time: 3 Hours

Maximum Marks: 70
Min. Passing Marks: 28

Instructions to Candidates:

- (i) *The question paper is divided in two sections.*
- (ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is **compulsory**.*
- (iii) *All questions carry **equal marks**.*

SECTION - A

Q. 1 Comment on the changing role of finance manager in contemporary business environment. [14]

Q. 2 Briefly explain and illustrate the concept of time value money. [14]

Q. 3 The following information is available in respect of a firm: [14]

Capitalization Rate (K_e) = 10

Earning per Share (E) = ₹ 10

Assume rate of return on investment

r: (i) 15 (ii) 8 (iii) 10

Show the effect of dividend policy on the market price of shares using Walter's model.

Q. 4 Distinguish between

(a) Gross Working Capital and Net working Capital [7]

(b) Production and Operating Cycle [7]

Q. 5 From the following financial data of A industries Ltd. Calculate [14]

(a) Rate of return on original investment

(b) Rate of return on average investment

Particular	Machine A	Machine B
Capital Outlay	₹ 3,25,000	₹ 4,40,000
Sales Revenue	₹ 4,00,000	₹ 6,00,000
Variable Cost	50% of Sales	50% of Sales
Average Fixed Cost (Other than Depreciation)	₹ 30,000	₹ 50,000
Estimated Life	8 Years	6 Years
Estimated Scrap Value	₹ 25,000	₹ 20,000

Additional Information:

(i) Depreciation is provided on Straight Line Method

(ii) Taxation is to be charged at 50%.

Q. 6 A Ltd. has obtained data concerning the average working capital cycle of 95 days for other companies in the same industry as under. [14]

Raw Material Stock Turnover	20 Days
Credit Received	40 Days
Work in Progress Turnover	15 Days
Finished goods stock Turnover	40 Days
Debtor's Collection Period	60 Days

Using the following data calculate the working capital cycle of A Ltd.

	(₹ in 000)
Sales	1500
Cost of Production	1050
Purchases	300
Average Raw Material Stock	40
Average Work in Progress	43
Average Finished Goods	90
Average Creditors	45
Average Debtors	175

SECTION – B

Case Study

Q. 7 V ltd has the following capital structure on 31st March 2016 [14]

Equity Share (40000 Shares)	₹ 20,00,000
10% Preference Share	₹ 5,00,000
14% Debenture	₹ 15,00,000

The company's share is currently selling at ₹ 20. Next year's expected dividend is the ₹ 2 per share that will grow at 6%. The company is in the tax bracket at 50%

You are required to calculate the following

- (i) Weighted average cost of capital of the company on the existing capital structure.
 - (ii) New weighted average cost of capital if the company raises an additional ₹ 10,00,000 debt by issuing 15% Debenture. This will increase the existing dividend by ₹ 1 but leave growth rate unchanged and the price of share will fall to ₹ 16.
-